

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Volatility Eludes Bonds

Joshua Daniel

President, NAV Home Loans

P: (303) 929-0578

M: (303) 929-0578

3425 S Inca St
Englewood Colorado 80110
2708570



Volatility Eludes Bonds

MBS Recap | Matthew Graham | 4:35 PM

Bonds saw some steady selling pressure earlier in the week, but with the total damage amounting to an average of 2bps per day in 10yr yields, it was anything but volatile. The past 2 trading sessions had more noticeable ups and downs, but they played out in an even narrower range. Friday, specifically, was woefully range-bound with 10yr yields essentially in a 2bp range all day. Balmy PPI data and Fed Chair decisions and historic volatility in certain commodities didn't make any difference. Even the 3pm ET month-end trading barely registered a response despite the typical surge in volume (by far the highest minutes of volume of every month). Next week brings the big ticket econ data and thus a chance for some legit data driven volatility.

The screenshot displays the MBS LIVE interface. On the left, there's a 'TIME PRICING' section with a table of bond yields for various maturities. The middle section features two 'REAL TIME CHART (BOND)' windows for the '30yr Fixed' and '10 Year Treasury'. The '30yr Fixed' chart shows a price of 106.75 (0.00) with a range from 106.73 to 106.77. The '10 Year Treasury' chart shows a price of 1.8279 (-0.0010) with a range from 1.8269 to 1.8289. Below the charts is a 'LIVE NEWS STREAM' with a headline about the ECB's stimulus. To the right is a 'LIVE CHAT' window with a list of messages from users. A large, semi-transparent 'PLAY VIDEO' button is centered over the main content area.

Watch the Video

8:35 AM PPI MUCH Higher Than Expected. Limited Selling So Far

MBS Morning

10:03 AM Why Don't Bonds Care About The Massive Miss in PPI?

4:20 PM

Econ Data / Events

- - o Core Producer Prices MM (Dec)
 - 0.7% vs 0.2% fcast, 0% prev
 - o PPI YoY (Dec)
 - 3.0% vs 2.7% fcast, 3% prev
 - o Producer Prices (Dec)
 - 0.5% vs 0.2% fcast, 0.2% prev

Market Movement Recap

08:39 AM MBS down about an eighth and 10yr up 1.6bps at 4.252

12:22 PM MBS down 2 ticks (.06). 10yr up 1.5bps at 4.251

02:34 PM Near strongest levels with MBS down only 1 tick (.03) and 10yr close to unchanged at 4.238

04:19 PM Volatility remains elusive into the close. MBS down 2 ticks (.06) and 10yr up up 0.7bps at 4.243

Lock / Float Considerations

- Mortgage rates have some insulation against broader bond market sell-offs due to GSE MBS purchases, but barring a big Treasury rally, the lower limit of the mortgage rate range was established in early January. One of two things is required for a meaningful push back toward lower rates: more selling to set an entry point for bond buyers, or legitimate deterioration in big ticket data (and there's none on the horizon until the first week of February).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
 - o 4.19
 - o 4.12
 - o 4.05

- Floor/Resistance

- o 3.89
- o 3.97

MBS & Treasury Markets



MBS

- 30YR UMBS 5.0
- 30YR UMBS 5.5
- 30YR GNMA 5.0
- 15YR UMBS-15 5.0

US Treasuries

10 YR	4.242%	+0.006%
2 YR	3.525%	-0.035%
30 YR	4.875%	+0.020%
5 YR	3.794%	-0.023%

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